

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

UNITED STATES OF AMERICA)
) No.
v.)
) Violations: Title 18, United States
ALVIN WILKINSON) Code, Sections 1341 and 1343

COUNT ONE

The SPECIAL JULY 2016 GRAND JURY charges:

1. At times material to this indictment:

Individuals and Entities Involved

a. Defendant ALVIN WILKINSON managed Wilkinson Financial Opportunity Fund L.P. (“WFOF”) and Chicago Index Partners, L.P. (“CIP” and together with WFOF, the “Funds”). WILKINSON formerly served on the board of directors of the Chicago Board Options Exchange, known as CBOE.

b. The Funds were organized as Illinois limited partnerships. WILKINSON was the sole manager, officer, director, and shareholder of the entities that served as the general partner of each partnership. Investors in the Funds were limited partners.

c. Accountant A was based in Chicago, Illinois. WILKINSON retained and paid Accountant A to prepare and send annually via United States Mail to each investor in the Funds a Schedule K-1 showing the amount of partnership income the Funds reported to the IRS. The Schedule K-1 listed the value of each investor’s share in the Funds at the beginning and end of the tax year, as well as any increase or decrease in the value.

Solicitation of Investors

d. WILKINSON solicited individuals, including individuals residing in the Northern District of Illinois, to invest in the Funds as limited partners. WILKINSON sent and caused to be sent to investors private placement memoranda (“PPMs”) describing, among other things, the Funds’ investment objectives and strategies, management, and investor qualifications.

e. The PPMs for the Funds stated that the purpose and objective of each Fund was to generate income from the purchase, sale, and trading of a portfolio of securities and options, and to increase the value of the assets in the Fund. The PPMs noted WILKINSON’s past affiliation with the CBOE and stated that each Fund’s general partner owed fiduciary duties to the Fund.

f. According to the PPMs, as the sole manager and officer of the Funds’ general partner entities, WILKINSON had exclusive authority to manage the operations and affairs of the Funds.

Victims

g. Approximately 30 individuals invested approximately \$13 million in the Funds as limited partners. The investors included WILKINSON’s friends, acquaintances, and former colleagues.

2. Beginning no later than 1999 and continuing until at least May 2016, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

ALVIN WILKINSON,

defendant herein, devised, intended to devise, and participated in a scheme to defraud investors in the Funds and to obtain money and property by means of materially false and fraudulent pretenses, representations, and promises, as further described below.

3. It was part of the scheme that WILKINSON, in order to obtain and retain approximately \$13 million that investors contributed to the Funds, knowingly and falsely represented to investors that WILKINSON used or would use investor funds to trade a portfolio of securities and options, when in fact WILKINSON knowingly and fraudulently used investor funds to pay for WILKINSON's personal expenses and to operate a "Ponzi" scheme, that is, WILKINSON solicited funds from new investors to make payments to earlier investors who asked to redeem their investment in the Funds. WILKINSON knowingly concealed his misappropriation of investor funds and the Ponzi scheme by, among other things, causing false and fraudulent Schedule K-1s to be sent to investors. The K-1s misrepresented the Funds' purported value and performance.

4. It was further part of the scheme that WILKINSON falsely represented to investors, both orally and through the Funds' PPMs, that WILKINSON used and would use investor funds to trade in options and futures using a trading strategy that made money regardless of market conditions, when in fact, beginning no later than

2009 and continuing through at least 2016, WILKINSON knew that he did not maintain any trading accounts for the Funds and did not use investor funds to trade in options and futures.

The Phony Schedule K-1s

5. It was further part of the scheme that by no later than 2009, WILKINSON knowingly misappropriated a substantial portion of the funds contributed by investors in the Funds to that point.

6. It was further part of the scheme that in or around 2009, WILKINSON knowingly and falsely represented to Accountant A that WILKINSON invested substantially all the Funds' assets in a "note" with Hedge Fund A that WILKINSON represented was worth approximately \$12 million, when in fact WILKINSON knew that no such note existed.

7. It was further part of the scheme that WILKINSON, each year from 2009 through at least 2015, falsely reported to Accountant A that the note with Hedge Fund A increased in value, knowing that Accountant A would include the increased value in Schedule K-1s provided to investors, when in fact WILKINSON knew that no such note existed and no such increase took place.

8. It was further part of the scheme that WILKINSON knowingly caused Accountant A to prepare and send investors false and fraudulent Schedule K-1s for tax years 2008 through 2014, which Schedule K-1s were based on the purported value of the fictitious note with Hedge Fund A.

9. It was further part of the scheme that the false and fraudulent Schedule K-1s concealed from investors the Funds' true value and WILKINSON's misappropriation of investors' funds.

The Ponzi Payments and Further Misappropriation of Investor Funds

10. It was further part of the scheme that from as early as 2011 through at least 2016, certain investors in the Funds requested a full redemption from WILKINSON, and that WILKINSON represented to investors that he intended to pay such investors the full redemption amount, that is, the amount of each investor's initial investment plus the gains it purportedly accrued in the Funds, when in fact WILKINSON knew that the Funds had insufficient assets to pay the requested redemption amounts.

11. It was further part of the scheme that from as early as 2011 through at least 2016, WILKINSON knowingly solicited new investors in the Funds for the fraudulent purpose of obtaining money to repay the investors who requested redemptions.

12. It was further part of the scheme between 2011 and 2015, WILKINSON obtained approximately \$3 million in additional funds from approximately six investors in the Funds (the "New Investors"), knowing that he would use the funds to pay earlier investors who requested redemptions.

13. It was further part of the scheme that WILKINSON knowingly and falsely represented to approximately five of the New Investors that WILKINSON used and would use their money to trade in the market, when in fact WILKINSON

knowingly and fraudulently used their money to make Ponzi-style payments to earlier investors and to pay WILKINSON's personal expenses.

14. It was further part of the scheme that, in or around 2013, WILKINSON knowingly and falsely represented to one of the New Investors that the Funds and/or WILKINSON were entitled to the proceeds of a \$10 million "note" with Hedge Fund A that matured in 2018, when in fact WILKINSON knew that no such note or maturation date existed.

15. It was further part of the scheme that WILKINSON knowingly and fraudulently used funds contributed by the New Investors to pay at least approximately \$2 million to investors who requested redemptions.

16. It was further part of the scheme that WILKINSON knowingly and fraudulently used funds contributed by the New Investors to pay for WILKINSON's personal expenses, such as the approximately \$7,000 monthly mortgage payment on WILKINSON's home in Connecticut, credit card bills, personal real estate and income taxes, a new car, pool cleaning services, and approximately \$55,000 in rent for WILKINSON's apartment in San Juan, Puerto Rico.

17. It was further part of the scheme that WILKINSON misrepresented, concealed, and hid, and caused to be misrepresented, concealed, and hidden, the purposes of the scheme and acts done in furtherance of the scheme.

18. On or about March 14, 2014, at Chicago, in the Northern District of Illinois, and elsewhere,

ALVIN WILKINSON,

defendant herein, for the purpose of executing the above-described scheme, did knowingly cause to be transmitted by means of wire communication in interstate commerce, certain writings and signals, namely, an interstate wire transfer of \$115,000 from Investor A's account at Citibank to a bank account in CIP's name at BMO Harris Bank;

In violation of Title 18, United States Code, Section 1343.

COUNT TWO

The SPECIAL JULY 2016 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 17 of Count One of this Indictment are realleged here.

2. On or about September 11, 2014, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

ALVIN WILKINSON,

defendant herein, for the purpose of executing the above-described scheme, did knowingly place or caused to be placed in an authorized depository for mail an item to be delivered by the United States Postal Service, namely, a 2013 Schedule K-1 for Investor B's investment in CIP, addressed to Investor B in Lake Forest, Illinois;

In violation of Title 18, United States Code, Section 1341.

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COUNT THREE

The SPECIAL JULY 2016 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 17 of Count One of this Indictment are realleged here.

2. On or about October 7, 2015, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

ALVIN WILKINSON,

defendant herein, for the purpose of executing the above-described scheme, did knowingly place or caused to be placed in an authorized depository for mail an item to be delivered by the United States Postal Service, namely, a 2014 Schedule K-1 for Investor A's investment in CIP, addressed to Investor A in London, United Kingdom;

In violation of Title 18, United States Code, Section 1341.

COUNT FOUR

The SPECIAL JULY 2016 GRAND JURY further charges:

1. The allegations in paragraphs 1 through 17 of Count One of this Indictment are realleged here.

2. On or about October 7, 2015, at Chicago, in the Northern District of Illinois, Eastern Division, and elsewhere,

ALVIN WILKINSON,

defendant herein, for the purpose of executing the above-described scheme, did knowingly place or caused to be placed in an authorized depository for mail an item to be delivered by the United States Postal Service, namely, a 2014 Schedule K-1 for Investor C's investment in WFOF, addressed to Investor C in Salisbury, Connecticut;

In violation of Title 18, United States Code, Section 1341.

FORFEITURE ALLEGATION

The SPECIAL JULY 2016 GRAND JURY further alleges:

1. Upon conviction of an offense in violation of Title 18, United States Code, Sections 1341 and 1343, as set forth in this Indictment, defendant shall forfeit to the United States of America any property which constitutes and is derived from proceeds traceable to the offense, as provided in Title 18, United States Code, Section 981(a)(1)(C) and Title 28, United States Code, Section 2461(c).

2. The property to be forfeited includes, but is not limited to:

- a. personal money judgment in the amount of approximately \$13,000,000; and/or
- b. the real property commonly known as 139 Millerton Road in Sharon, Connecticut, legally described as follows:
 - i. Certain piece or parcel of land situated in the Town of Sharon, County of Litchfield and State of Connecticut, on the westerly side of the Sharon-Millerton highway (Route #361), bounded and described as follows:

That certain piece or parcel of land (being part of "Indian Lake Farm"), so-called, located in the Town of Sharon, County of Litchfield and State of Connecticut, on the westerly side of the Millerton highway, (Route #361), bounded and described as follows:

Beginning at a concrete monument on the westerly side of said Route #361, which concrete monument is N 03° 18' 30" W 30.52 feet from a Connecticut Highway Department monument, and which concrete monument marks the southeast corner of the premises herein conveyed; thence along a wire fence and along lands now or formerly of Timothy S. and Patricia M. Parry N 84° 50' 00" W 115.20 feet to an existing iron pipe; thence still along lands now or

formerly of said Parry and continuing along said wire fence N 87° 32' 15" W 1,865.65 feet to a concrete monument at the southwest corner of the premises herein conveyed; thence still along said lands nor or formerly of Parry and still along a wire fence N 02° 33' 30" E 276.77 feet to a concrete monument, and N 04° 39' 50" W 16.50 feet to an existing iron pipe at the northwest corner of the premises herein conveyed; thence along lands now or formerly of Dwight K. Faulkner and along a wire fence S 87° 17' 35" E 781.12 feet to an existing drill hole in a stone wall; thence still along said Faulkner lands and a stone wall S 87° 34' 20" E 755.78 feet to an iron pin in the southwest corner of lands nor or formerly of Harris D. and Jane O. Dienstfrey; thence along said lands of Dienstfrey and along a stone wall S 88° 03' 35" E 171.82 feet and along a wire fence S 87° 16' 30" E 247.05 feet to an existing iron pin the southeast corner of said lands of Dienstfrey; thence along said Sharon-Millerton Road – Route #361, S 02° 05' 20" E 157.28 feet to a Connecticut Highway Department monument, and S 03° 18' 30" E 139.96 feet to the concrete monument, being the point and place of beginning, and containing 13.131 acres, more or less.

3. If any of the property described above, as a result of any act or omission by a defendant: cannot be located upon the exercise of due diligence; has been transferred or sold to, or deposited with, a third party; has been placed beyond the jurisdiction of the Court; has been substantially diminished in value; or has been commingled with other property which cannot be divided without difficulty, the United States of America shall be entitled to forfeiture of substitute property, as provided in Title 21, United States Code Section 853(p).

A TRUE BILL:

FOREPERSON

UNITED STATES ATTORNEY